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# Central Intelligence Bulletin

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WESTERN HEMISPHERE: The anti-US rhetoric that has characterized past inter-American conferences will be at a minimum when Latin American and Caribbean foreign ministers meet with Secretary Kissinger in Washington tomorrow. The ministers are meeting to continue the "new dialogue" with the US that was established last February at the Tlatelolco Conference in Mexico City. Immediately after the two-day meeting in Washington, the foreign ministers will convene in Atlanta for the fourth OAS General Assembly.

The foreign ministers' meeting is not expected to produce major new initiatives, but the Latin American representatives will be looking for definitive evidence that the US intends to undertake specific actions in their favor. The agenda includes such economic issues as greater access to US markets, technology, and development resources, as well as the establishment of a "code of conduct" for multinational companies. Discussions about restructuring the inter-American system and a general review of US - Latin American relations are also included.

The Washington conference will probably establish mechanisms for future bilateral and multilateral consultations with the Latin American and Caribbean governments on a wide range of trade matters. The meeting may also call for the establishment of special working groups to examine the problems of foreign investment and the transfer of technology. In addition, a statement of general principles relating to the conduct of multinational corporations may be approved.

There are several issues that could strain the fragile unity established at the Tlatelolco Conference. Argentine Foreign Minister Vignes is planning to raise the Cuban question. In addition, a number of Latin leaders remain suspicious of US intentions in proposing a new hemisphere "community" at the Tlatelolco Conference. There will be strong pressure to exclude this concept from the final communiqué.

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The atmosphere created in Washington is likely also to characterize the sessions in Atlanta. The formal agenda of the OAS General Assembly contains no major issues, but the Cuban question could cause fireworks if raised. For the first time since the sanctions were imposed on Cuba in the early 1960s, a simple majority (12 nations) now seems to favor lifting them even in the face of active US opposition. The two-thirds majority required to abrogate the sanctions, however, is not yet in sight.

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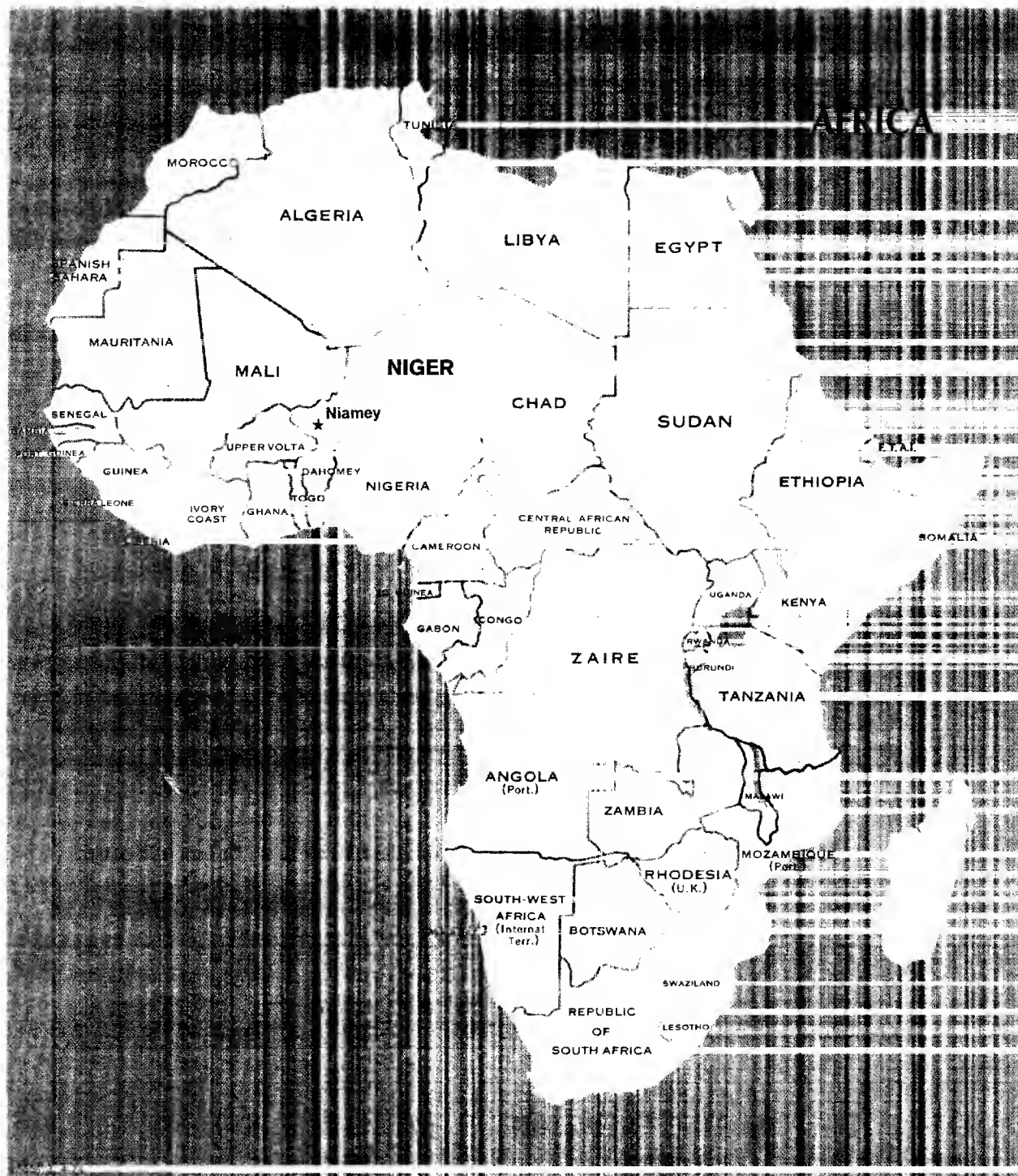
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NIGER: Armed Forces Commander Kountche seized power yesterday from President Hamani Diori. There is no evidence of any foreign hand in the coup.

Citing the necessity of ending years of government corruption and mismanagement, Kountche suspended the constitution, dissolved the National Assembly, and banned all political activity in the country. He also placed Diori--in power since Niger gained independence in 1960--and his top officials under arrest. Kountche has not yet formed a new government.

Kountche's decision to move against Diori was probably motivated in part by dissatisfaction with the government's inability to overcome Niger's chronic economic stagnation, now compounded by the serious drought that has spread throughout most of the country. Kountche may also have been influenced by resentment over France's continued influence in Niger since independence. France is the principal supplier of military and economic aid to Niger, and French technicians have served as advisers to Diori and the military.

Although Kountche has announced that Niger will honor its international commitments and agreements as long as Nigerien interests and dignity are respected, it is not yet clear whether he will in fact accept the defense pacts that Diori's government has long had with France and recently also signed with Libya.

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CHINA: Peking has filled the first of the six top provincial party and government posts vacated by the rotation of military region commanders last December. The new leader of Kwangtung, Chao Tzu-yang, is a rehabilitated civilian who headed that province prior to the Cultural Revolution.

The move is in keeping with efforts, evident over the past several years, to civilianize the provincial party apparatus. The appointment means that Politburo member Hsu Shih-yu, who was rotated to Kwangtung as commander of the Canton Military Region, will not get the top post. It is also an additional indication that the other rotated commanders are unlikely to be named to the top party and government posts in their new provinces.

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ARGENTINA-EC: Argentine exports of beef to the EC declined 65 percent during the first three months of 1974, compared with the same period last year. The drop from over 81,000 tons to less than 28,000 results from new licensing arrangements, readjustment of tariffs, and preferential prices imposed by the EC to protect its increased cattle production. Exports to the EC normally account for over 60 percent of Argentina's beef shipments.

Preliminary estimates indicate that the continued drop in exports to the EC could result in a \$300-million decline in Argentine beef export earnings this year. Some of the loss will probably be made up by large corn and sorghum exports.

The combination of EC import controls and lower Argentine wheat exports, however, will limit foreign exchange earnings, which are badly needed to finance the government's ambitious development plans.

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BRAZIL: The Geisel administration is coming under increasing domestic pressure to alter its 200-mile territorial sea claim.

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They advocate instead the concept of a "patrimonial sea," which would establish national control of economic resources within 200 miles but permit freedom of navigation and overflight beyond 12 miles.

Brasilia is becoming uneasy about its 200-mile claim because of increasing support by other countries for the "patrimonial sea" concept; the government has not recently repeated its earlier dogmatic defense of the claim. President Geisel has not taken a public position on the issue since he was inaugurated last month. The administration has not completed plans for the Caracas meeting and may be procrastinating in order to test the attitudes of the more nationalistic elements in the Foreign Ministry and the armed forces to the "patrimonial sea" concept.

A change in Brazil's position would make it harder for Ecuador and Peru, both strong advocates of a 200-mile territorial limit, to defend their position at the Caracas meeting. Ecuador reportedly is re-examining its position after several unsuccessful attempts to gain support among developing countries for the 200-mile territorial concept. Argentina, Uruguay, and Chile endorse the "patrimonial sea" idea. In South America, only Colombia and Venezuela still adhere to the 12-mile territorial limit.

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CHILE: The government has tacitly conceded that it will be unable to keep inflation under 100 percent in 1974--a goal announced after its accession to power last year--and it has set a new goal of 200 percent.

During the first quarter of this year the cost of living jumped about 62 percent, largely as a result of adjustments to the trade exchange rate and high prices for imports of petroleum and agricultural goods. These factors, plus a wage hike that will be granted in several weeks to restore some of the eroded purchasing power, will further stimulate inflation, with the result that even the revised goal is unlikely to be met.

The junta has been unable to resolve the dilemma of how to achieve price stability without sacrificing economic growth. Tightening austerity measures are likely to lead only to reduced consumer sales and further declines in industrial output. On the other hand, a relaxation of austerity measures would accelerate inflationary pressures.

The failure to control inflationary pressures may lead the junta to attempt to create stability by reducing public expenditures. It also hopes that foreign investment will provide some future stimulus to the economy, and it is giving top priority to completion of an investment code. The initial impact of investment projects would tend, however, to spur inflation.

ECUADOR: A shortage of rice, a major food staple, is reaching crisis proportions, and the Rodriguez government is concerned that political repercussions could threaten its stability. Rice is especially important in the coastal area, where Rodriguez has little support. Guayaquil, the nation's largest city, is already experiencing unrest among labor.

Although Ecuador--Latin America's second leading oil exporter--has ample foreign exchange reserves to import rice, the government, counting on the winter crop to improve supplies, has been hesitant to import much because of high prices. World prices for rice are about three times the level of a year ago. Because of the gravity of the situation, however, Quito is urgently seeking about 15,000 metric tons from US suppliers, hoping for delivery by the end of this month.

Local farmers are predicting that 50 to 70 percent of the winter rice crop will be lost because of drought. The government has estimated the loss at 30 percent in three major provinces. Normally self-sufficient in rice, Ecuador has experienced adverse weather conditions for well over a year. Production dropped 16 percent in 1973, and supplies were tight all year.

Although all rice mills are required to sell half of their output to a public corporation which manages a chain of retail stores, the government now concedes that it is unable to keep its own stores supplied. Private dealers, who evade price controls, are charging prices up to 85 percent higher than government stores. Awareness of the worsening shortage has caused hoarding, reducing supplies even further.

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